



**REMARKS OF THE HONORABLE KEITH E. GOTTFRIED  
GENERAL COUNSEL OF THE  
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

**PRESENTED AT THE  
MULTI-HOUSING WORLD CONFERENCE AND EXPO  
THURSDAY, SEPTEMBER 21, 2006  
3:00 P.M.  
McCORMICK PLACE, CHICAGO, IL  
[as prepared for delivery]**

Thank you Patrick for that generous and very kind introduction.  
Thank you to all of you for that very warm welcome. Thank you very much.

I am very pleased to be here with so many of our country's leading multi-housing industry professionals. I look forward to having a chance to meet some of you today and to working with all of you over the next few years.

On behalf of HUD Secretary Alphonso Jackson, Deputy Secretary Roy Bernardi and Federal Housing Commissioner Brian Montgomery, I'd like to thank Multi-Housing World and VNU Expositions for organizing this conference and allowing me to speak today.

I would also like to congratulate Multi-Housing News on its 40<sup>th</sup> year as a leading magazine for builders, owners, investors and managers of multi-housing properties. Some of you maybe surprised to learn

that the first editor-in-chief of Multi-Housing News, Wesley Wise, is credited with coining the phrase “multi-housing.”

It’s great to be back in Chicago- it’s a city that I always look forward to visiting. This is my fourth trip to Chicago as General Counsel of HUD and it is a wonderful place to hold a conference like this.

I appreciate very much that this conference includes a track on affordable housing and includes sessions on how to get into the affordable housing development business, the low-income housing tax credit program and financing alternatives for affordable housing. I hope that many of you were able to attend some of the affordable housing sessions.

We need to continue to grow the supply of affordable housing in this country and, the more partners we can recruit to this mission, the more Americans that we can eventually help find a place to call home. We also need to continuously develop new and better strategies for developing, financing and managing affordable housing communities.

Conferences like this one provide a wonderful opportunity for folks to exchange ideas and strategies and to network. I hope that at least a few of you who previously had not been involved in affordable housing will, after this conference, consider getting involved in affordable housing.

Chicago is a very apropos place to have a conference like this and to discuss, among other topics, the development and management of affordable housing.

Chicago is known for many things. Chicago is the birthplace of air travel. The first commercial air passenger flight departed Chicago for San Francisco on July 2, 1927. Chicago is also the birthplace of the Ferris wheel, Walt Disney, the Twinkie, Indiana Jones, or as his mother named him, Harrison Ford, softball and, one of my favorite restaurants and my very first employer, McDonald's.

Chicago is also a place that has had a number of historically troubled and ill-fated affordable housing developments, Cabrini-Green and the Robert Taylor Homes. At its height, Cabrini-Green was home to 20,000 people, living in mid- and high-rise apartment buildings. Over the years, gang violence and neglect created terrible conditions for the residents, and the name Cabrini-Green became symbolic of the problems associated with public housing in this country.

During the worst years of Cabrini-Green's miseries, residents endured rat and cockroach infestations, rotting garbage in trash chutes (once piled up to the 15th floor), the stench of urine and insecticide in hallways, malfunctioning elevators, graffiti on walls, as well as problems with basic utilities, such as frequently bursting pipes.

On the exterior, boarded-up windows, burned-out areas on the façade, and pavement instead of green space--all in the name of

economizing on maintenance--created an atmosphere of neglect and decay. The high "open galleries" proved to be so dangerous that eventually, the Chicago Housing Authority enclosed the entire height of the buildings with a steel mesh, which increased the perception that the residents were imprisoned.

In 1994, Chicago received one of the first HOPE VI grants from HUD, which started the beginning of the transformation of Cabrini-Green. In May 1995, HUD took over management of the Chicago Housing Authority and almost immediately began demolishing vacant buildings in Cabrini-Green, intending to make Chicago a model of a new, mixed-income approach to public housing.

Today, only about 5,000 residents remain in what was Cabrini-Green. Instead of enormous, monolithic, concrete, high-rise slums, many of which have been demolished, the emphasis has turned towards mixed-income and subsidized, low-rise housing. The affordable housing being developed today on the site of Cabrini-Green looks little like the projects it is replacing. In fact, unless you were so informed, you may not even be able to tell from just viewing some of the new mixed-income developments that they are intended as affordable housing.

Luckily, we have learned many lessons from developments like Cabrini-Green and a new era of public and affordable housing has dawned from the mistakes that were made here.

We have been able to prove here in Chicago as well as in other cities like Philadelphia, San Francisco, Oakland and Atlanta, to name just a few, that there are proven strategies for breaking the walls down between public housing and the rest of the community. Public and affordable housing do not need to be oceans of despair and places to warehouse the less fortunate.

Rather than a world apart, public housing can become a place of promise, a place to nurture and grow the seeds of citizenship, a place to build opportunity for a better life and commitment to a better country.

I did not come here alone. Joining me from HUD is Courtney Minor, our Regional Counsel for parts of the Midwest, including Illinois, Michigan, Wisconsin, Ohio and Indiana. Over the course of his career, Courtney has been very involved in the transformation of Chicago's affordable and public housing communities, first at the Chicago Housing Authority and now at HUD. We are very fortunate to have someone of Courtney's caliber and experience at HUD.

At the helm of HUD, we have Secretary Alphonso Jackson, who understood housing and development issues long before he came to HUD and who has also proven himself to be an innovator when it comes to strategies to expand and enhance our nation's affordable housing. His life-long commitment to applying innovative approaches to affordable housing was part of what attracted me to join his team at HUD.

While HUD also recently celebrated its 40<sup>th</sup> anniversary, Secretary Jackson is the first Secretary in HUD's history to ever run a public housing authority. He managed the Housing Authorities in St. Louis, Washington, D.C., and Dallas. As an executive director of three housing authorities, Secretary Jackson was an innovative manager and, accordingly, brings a unique perspective to HUD and to affordable housing issues.

As Secretary Jackson continues to lead HUD in

- promoting affordable housing,
- strengthening our nation's communities,
- dismantling the barriers to home ownership,
- expanding homeownership opportunities for all Americans, particularly low- and moderate-income families,
- meeting President Bush's goal of at least 5.5 million new minority homeowners before the end of the decade,
- ending chronic homelessness,
- vigorously enforcing fair housing, civil rights, and anti-discrimination laws,
- and, of course, providing housing and other desperately-needed relief to the victims of Hurricanes Katrina, Rita and Wilma,

it is for me the honor of a lifetime to serve as HUD's General Counsel.

Serving as the General Counsel of HUD has been the most rewarding position I have ever held – not rewarding financially, but truly rewarding personally since I get to help my fellow Americans gain access to affordable housing and, eventually, achieve the American Dream of homeownership.

Under President Bush's leadership, more Americans than ever have achieved the American Dream of homeownership.

Last year, more homes were purchased than in any year before; prices for existing homes increased an average of 12%; and more than 75 million Americans can now call themselves homeowners.

This growth has led to historic levels of wealth creation. As men and women saw the value of their homes go up, they tapped into their equity to make home improvements, send their children to college, or make other big-ticket purchases.

Last year, Americans took a record \$244 billion out of the equity they had in their homes - that's an astonishing 72% increase over the previous year!

It's hard to overstate the impact of the housing boom on our economy. Home equity accounts for about one third of overall household wealth in this country. For minorities, the figure is closer

to 60%. And as Americans drew on that wealth over the last three years, they've helped create more than five million new jobs.

But owning a home is about more than wealth. When a family owns its own home, the development of their children is helped in measurable ways. Children of homeowners score an average 9% higher in math, and 7% higher in reading. The children of homeowners are 25% more likely to graduate high school - and more than *twice* as likely to graduate from college.

More Americans own their homes than ever before – the national homeownership rate is 68.5% and, I'm proud to say, HUD has played an important role in achieving a minority homeownership rate of more than 50%.

While we take pride in those numbers, we are not resting on our laurels. As Secretary Jackson often says when we achieve record numbers at HUD, "that's not good enough." Those numbers are not good enough. They're not good enough for me, for Secretary Jackson, or for President Bush.

Our nation has enjoyed solid economic growth and prosperity for the past 5 years now, and all facets of the housing industry have reaped the boon created by the drive to increase homeownership.

But the fact remains that in many parts of the country, there is still a significant unmet demand for mixed-use and multi-family projects.

There are still unanswered calls for redevelopment of dilapidated, neglected, and abandoned multi-housing units. There are still calls for developing more affordable units.

We are seeing a trend in this country of moving away from the traditional low-income public housing development and toward privately-led development assisted by new and innovative government incentives.

And these innovations are coming from all levels of government, in recognition of the need to steer away from the traditional model of public housing, which was created some 70 years ago in the wake of the Great Depression of the 1930's, but over time proved to be much less than optimal and, in some cases, harmful to the residents and families it was designed to serve.

Within the Administration and at HUD, we are doing our part to support the development of affordable housing and increase the number of folks who can say they are members of the "ownership society," including, among other initiatives, removing or reducing some of the bureaucratic "red tape" that could have the potential of impeding the development of affordable housing.

Since the beginning of his term, President Bush has taken a lot of innovative steps to increase homeownership and, accordingly, the number of folks that can proudly say that they own a stake in our great and free society: signing the American Dream Downpayment

Act, championing the Zero-Downpayment Initiative, and proposing the Single Family Affordable Housing Tax Credit, to name just a few.

The American Dream Down Payment Initiative has made \$236 million available to more than 400 state and local governments across the country since 2003 and has helped 15,500 first-time homebuyers with down payment and closing costs.

When it comes to housing counseling, this Administration understands that Americans need to understand the home buying process and their financial options. To that end, President Bush has significantly boosted funding for housing counseling and education. The President's Fiscal Year 2007 Budget provides \$45 million to help 600,000 homebuyers receive counseling services. Last year alone, HUD-approved counseling agencies assisted 1.8 million Americans; and annual funding for housing education has increased more than six-fold since President Bush took office.

We passed the largest tax relief in a generation. And that tax relief has made a difference for a lot of you. Many of you in the multi-family business are small businesses. Many of you may be either sole proprietorships or subchapter S corporations, which means that you pay your taxes at the individual income tax rate - just like a lot of other small businesses do.

And so when we passed tax relief by cutting rates on everybody who pays taxes, we helped small businesses like many of you. We

understand the significant role small businesses play in growing our economy and expanding homeownership. We helped you with resources to build or grow and expand and hire more workers. Tax relief left more money in the hands of American workers so that they could save, spend, invest and help drive this economy forward. Tax relief has helped many be able to put money down to buy a home.

We've made great progress, but much more has to be done.

HUD has already announced plans to reform our Federal Housing Administration, or FHA, to make it more flexible in providing mortgage insurance and other loan services and to help underserved and minority homebuyers avoid high-cost or predatory loans.

The FHA Modernization Act of 2006 is currently working its way through Congress and people on both sides of the aisle are lining up to support it. Just recently, the Modernization Act received a very strong vote of support in the House and is now winding its way through the Senate.

As part of the Modernization Act, FHA is seeking to eliminate the complicated down payment calculation and the traditional cash investment that have long been the hallmark of FHA. By permitting borrowers to choose how much money to put down, many first-time homebuyers will be able to save their hard-earned cash to pay their mortgage, save for their children's education, and even purchase items to furnish their new homes.

Also, the Act proposes to give FHA the flexibility to base our insurance premiums on the risk of the borrower. This would allow us to reach hard-working, credit-worthy borrowers who are unable to qualify for prime financing. Although these FHA premiums would be slightly higher, they will be substantially lower and safer than the alternative - sub-prime financing. It would also allow us to charge lower-risk borrowers a substantially lower premium.

We're also looking to increase FHA's loan limits. In many areas of the country, and especially in California, buyers of new homes are unable to choose FHA financing because the existing FHA limits are lower than the cost of new construction. In other areas, FHA is simply priced out of the market. By instituting this crucial change, there is no doubt that FHA can, once again, become a viable player in markets where, at present, we cannot compete.

HUD is also encouraging local housing agencies to use rental assistance vouchers to help more low-income and minority families climb the ladder of self-sufficiency through homeownership. This year, 8,000 families will participate in the Housing Choice Voucher Homeownership Program - quadrupling the number that participated last year.

With our Affordable Communities Initiative, we are committed to helping communities across America identify and overcome regulatory barriers that impede the availability of affordable housing.

Through the removal of burdensome regulatory barriers, we are seeking to open more doors to hard-working American families who wish to buy or rent an affordable home in the community of their choice.

In February of 2005, we released a report titled "*Why Not in Our Community*," HUD's first substantive examination of the impact of regulatory barriers on affordable housing since HUD's groundbreaking 1991 Report "*Not in My Backyard*."

This report was a call to action for government at every level to rethink its approach to affordable housing and begin asking, why not? All of us need to raise the level of common sense to make sure we don't create man-made obstacles that close doors on the very people who should be our neighbors.

Like the "*Not in My Backyard*" study, this report found that outdated, exclusionary and unnecessary regulations continue to block the construction or rehabilitation of affordable housing in some parts of America. "*Why Not in Our Community?*" also found that many communities are actively removing these barriers and promoting the production of housing that was formerly beyond the reach of many working families. The report pointed to a number of trends in today's housing market:

- Complex environmental regulations can significantly increase the length and cost of home building review and approval processes;

- "Smart growth" principles can be misused to justify limiting affordable housing production by restricting available land that could otherwise be developed;
- Impact fees may not reflect the true infrastructure costs of a development and can artificially inflate the cost of housing;
- Slow and burdensome permitting and approval systems remain serious impediments to affordable housing development, especially infill development in cities; and,
- Obsolete building and rehabilitation codes may not reflect modern building materials or methods for cost-effective rehabilitation.

More than a decade after the publication of *"Not in My Backyard,"* the regulatory climate is changing in many parts of America. *"Why Not in Our Community?"* found that many jurisdictions are reducing regulatory barriers to affordable housing, particularly in areas where the supply of affordable housing is increasingly scarce. These communities are rewriting their rules in such a way as to reduce the time and money required to build and rehabilitate homes. In some cases, these communities are lowering the cost of affordable housing to working families by tens of thousands of dollars.

In addition, HUD is reviewing all the federal regulations in its program areas to determine if there are any unnecessary, duplicative or obsolete barriers. For the first time in HUD's history, all proposed regulations now must be reviewed for their potential impact on affordable housing before taking effect.

We are working to enhance regulatory transparency at HUD.

Regulatory transparency is the notion that government actions must be visible and accessible to the governed in a way that allows meaningful input from and communications with the governed. It is also the notion that those being regulated should know what they need to do to comply with the law.

Regulatory transparency is the key to developing more effective and efficient regulations and regulations of a higher quality. Believe it or not, agencies don't always have the answer. Regulated entities have an enormous capacity to identify, understand, and express views on their obligations under the law and they should be listened to.

Increased participation by people with different experiences and the subsequent process of compromise by competing interests is the foundation of our successful and dynamic democracy.

Regulated entities bring to the table real world experience in implementing regulations we develop, draft, and seek to promulgate and they should be listened to if we want to develop regulations of the highest quality.

The application of our regulations to unique and unprecedented situations must be determinable. We are looking at implementing a no-action letter process similar to the process in place at other regulatory agencies so that we can provide the regulated community with more predictability, reduce compliance friction and enable

regulated entities to have sufficient clarity to take action without fear of violating the law. The effect of this would be to encourage folks like all of you to be more innovative and entrepreneurial in your approach to affordable housing while at the same time giving you some comfort that you are not acting outside of our laws and regulations.

We are looking to improve our processes for active and meaningful communications and two-way dialogue with the regulated community. In other words, we need to be constantly improving how we consult with our regulated partners, particularly folks like all of you, to seek your input and guidance on issues and proposed regulations and to share ideas on how to better achieve our respective goals.

I say to all of you, our affordable housing partners, we have great jobs because we have the great privilege of knowing that we have the ability to make a difference in the lives of so many people, particularly when we help them gain access to housing or when we help strengthen or reinvigorate a community.

I have spent the last two decades in the accounting and auditing business, the legal business, and, most recently, the computer software business. Today, when folks ask me what I do for a living I tell them I am in the “hope business” because that is the “business” of HUD – helping people realize their dream of affordable housing and home ownership.

We are all partners in the hope business because when we help provide families with quality housing, a place to call home, we provide families with hope for a better life for themselves and their families. We are all partners in ensuring that housing, particularly affordable housing, becomes a place of promise, a place to nurture, a place to grow the seeds of citizenship, and a place to build opportunity for a better life.

Thank you again for giving me the opportunity to come here this afternoon and spend some time with you.

It is pretty clear to me that conferences such as this one are necessary to encourage more multi-housing professionals to consider developing affordable housing, to share the latest strategies for financing affordable housing, to increase the communication and innovation necessary to effectively implement and take advantage of new innovations in affordable housing, and to learn about long-standing programs, such as the Low Income Housing Tax Credit program, which as some of you know, is celebrating 20 years of bringing safe, decent, and affordable housing to some of our nation's neediest families. If you have not had the opportunity at this conference to learn more about this program, I encourage you to do so in the future as it is a great program that has contributed greatly to our nation's supply of affordable housing.

Thank you all for taking time from your busy schedules to be here today to discuss innovative strategies for expanding and improving our nation's supply of multi-family, multi-use and affordable housing.

Thank you all very much for what you're doing.

We have great jobs since we have the great privilege of knowing that we have the ability to make a difference in the lives of so many people when we help develop homes for folks to raise their families and create communities where neighbors feel like family.

Thank you for what you're doing to enhance our nation's supply of affordable housing and to help us make safe, decent and, sanitary affordable housing accessible to more folks across this great nation.

All of you have my personal thanks, the thanks of HUD Secretary Alphonso Jackson and the thanks of the man I ultimately report to, President George W. Bush.

I say to you, our partners in the affordable housing community, that I look forward to working with all of you in the months and years ahead as we work together to accomplish our shared mission and as we seek to ensure that everyone has a stake in the success of America and everyone has a chance to realize the great promise of this country.

May God bless you, and may God continue to bless our great country.

Thank you all.